

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-08 EA-06 IO-04 ISO-00 EB-04 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05

INT-05 L-01 LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 USIA-06 PRS-01 SP-02

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FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

AMEMBASSY VIENNA

AMEMBASSY OTTAWA

AMEMBASSY HELSINKI

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY WELLINGTON

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

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USMISSION OECD PARIS

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E.O. 11652: N/A

SUBJ: IMF TRADE DECLARATION

1. POSTS ARE REQUESTED TO APPROACH APPROPRIATE HOST GOVERNMENT OFFICIALS TO ASCERTAIN WHY COUNTRY HAS NOT SUBSCRIBED TO IMF TRADE DECLARATION AND TO URGE PROMPT ADHERENCE.

2. IN JUNE, IMF COMMITTEE ON REFORM OF THE INTERNATIONAL MONETARY SYSTEM (C-20) DRAFTED A DECLARATION ON TRADE MEASURES AS A MEANS OF AVOIDING ESCALATION OF RESTRICTIONS ON TRADE AND PAYMENTS FOR BALANCE OF PAYMENTS PURPOSES. SUBSEQUENTLY IMF MANAGING DIRECTOR, WITH APPROVAL OF ED'S, INVITED ALL FUND MEMBERS TO SUBSCRIBE TO THIS DECLARATION.

3. PLEDGE STATES, IN PART, THAT THE FUND MEMBER "WILL NOT ON ITS OWN DISCRETIONARY AUTHORITY INTRODUCE OR INTENSIFY TRADE OR OTHER CURRENT ACCOUNT MEASURES FOR BALANCE OF PAYMENTS PURPOSES THAT ARE SUBJECT TO THE JURISDICTION OF THE GATT, OR RECOMMEND THEM TO ITS LEGISLATURE, WITHOUT A PRIOR FINDING BY THE FUND THAT THERE IS A BALANCE OF PAYMENTS JUSTIFICATION FOR TRADE OR OTHER CURRENT ACCOUNT MEASURES." IF CIRCUMSTANCES PRECLUDE THE FUND FROM MAKING SUCH A PRIOR FINDING, THE MEMBER MAY IMPOSE SUCH MEASURES BUT WILL WITHDRAW THEM WITHIN SUCH A PERIOD AS MAY BE FIXED BY THE FUND IN CONSULTATION WITH THE MEMBER CONCERNED IF THE FUND FINDS THERE IS NO BALANCE OF PAYMENTS JUSTIFICATION FOR IMPOSITION OF THE MEASURES. DECLARATION IS TO BECOME EFFECTIVE AMONG SUBSCRIBING MEMBERS WHEN MEMBERS HAVING 65 PERCENT OF TOTAL VOTING POWER OF THE FUND HAVE ACCEPTED IT AND EXPIRES TWO YEARS FROM THE DATE ON WHICH IT BECOMES EFFECTIVE, UNLESS RENEWED. IMF EXECUTIVE DIRECTORS ARE CURRENTLY CONSIDERING PROCEDURES FOR MONITORING THE APPLICATION OF THE DECLARATION AS WELL AS AN AMENDMENT OF

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THE IMF ARTICLES OF AGREEMENT TO GIVE PERMANENT FORCE TO THE DECLARATION.

4. AS OF OCTOBER 9, THE ONLY FUND MEMBERS TO SUBSCRIBE TO THE DECLARATION WERE BELGIUM, BOTSWANA, DENMARK, GERMANY, JAPAN, LIBERIA, MAURITIUS, THE NETHERLANDS, NORWAY, OMAN AND THE UNITED STATES. SIX DEVELOPING COUNTRIES WITH 2.5 PERCENT OF THE VOTING POWER HAD

INDICATED THEY WILL NOT SUBSCRIBE. REMAINING 109 FUND MEMBERS HAVE NOT NOTIFIED THEIR INTENTIONS. AS THE SUBSCRIBING COUNTRIES COMPRISE ONLY 36.2 PERCENT OF THE IMF VOTING POWER, THE DECLARATION HAS NOT ENTERED INTO FORCE.

5. THE UNITED STATES CONSIDERS THE IMF TRADE DECLARATION A USEFUL AND POTENTIALLY IMPORTANT RESPONSE TO THE PRESSURES TO TAKE CURRENT ACCOUNT MEASURES FOR BALANCE OF PAYMENTS PURPOSES DURING THIS PERIOD OF MAJOR DISRUPTION OF INTERNATIONAL PAYMENTS POSITIONS AND PROSPECTS AND CONTINUING UNCERTAINTY IN FINANCIAL MARKETS. WE HAVE SUBSCRIBED ON THE EXPECTATION THAT OTHER MAJOR INDUSTRIAL COUNTRIES WOULD ALSO ADHERE AND HAVE BEEN SURPRISED AND CONCERNED THAT ALL OTHER INDUSTRIAL COUNTRIES HAVE NOT DONE SO. DECLARATION CANNOT BE BROUGHT INTO OPERATION UNLESS VIRTUALLY ALL INDUSTRIAL COUNTRIES SUBSCRIBE. THIS FAILURE TO SUBSCRIBE IS ESPECIALLY DISTURBING SINCE VIRTUALLY ALL MAJOR INDUSTRIAL COUNTRIES SUPPORTED C-20 RECOMMENDATION AND THOSE FUND MEMBERS WHICH ARE ALSO IN THE OECD AGREED TO A SIMILAR STATEMENT OF INTENT IN THAT FORUM. IT WOULD BE MOST DISTURBING IF HESITANCY TO SUBSCRIBE APPEARED TO STEM FROM CONSIDERATION OF INITIATION OF TRADE RESTRICTIVE ACTIONS. KISSINGER

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